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15 October 1946

MEMORANDUM TO: [REDACTED]

SUBJECT: Economic Intelligence

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1. In a memorandum attached to [REDACTED] letter of 30 August 1946, to the Acting Assistant Director, Office of Research and Evaluation, I outlined my concept of what should be the organization and functions of the Functional Branch. (See copy attached.) Now in line with our recent conversation I have set down briefly how I think the production of economic intelligence might be organized if the Functional Branch is to cover all aspects of the economic field in the degree of detail I believe you contemplate. Notwithstanding my deep interest in economic intelligence I hesitate to recommend an expansion of the original T/O until need for the larger staff has been demonstrated. Approval of the suggestions made in paragraph 4 would require an increase in the number of top grade economic Consultants from three to six or seven. (See comparison of T/O's.) For my own part, however, I would like to be concerned with economic intelligence whichever plan is adopted for its organization in the Functional Branch.

2. It is impossible to understand a nation's foreign policy or estimate its military potential without accurate knowledge of its internal economy and foreign economic relations. Even when not conspicuously present, economic considerations are involved more frequently than not in the conduct of international relations. Foreign policy develops and is implemented primarily to assure one's own country's security and facilitate economic intercourse between its citizens and foreigners. To achieve real national security it is essential to evolve a stable well integrated economy at home with free access to required materials from abroad, build up the economic strength of probable allies and undermine that of probable enemies. Most of the contact private citizens have with foreigners in peacetime is concerned with trade, finance and economic development. Any assessment of a nation's ability to wage war must be based on availability of raw materials, size and diversity of industrial plant, extent and efficiency of transport and communications, financial position, both internal and external, amount and skill of labor force and managerial ability. Success in large-scale modern warfare requires efficient mobilization of all such national resources in support of military forces in the field, coupled with resourcefulness in the conduct of economic warfare: full economic collaboration with allies, effective blockade, prevention of enemy access to needed materials, preclusive buying, sequestration of enemy assets, trade with neutrals, etc.

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3. Logical cases could be made out for organization of the field of economic intelligence into several different combinations of divisions depending upon what aspects are to be stressed and the availability of personnel. In my memorandum of 30 August 1946, I suggested three major divisions (a) Raw Materials and Basic Industries, (b) Transportation and Communications and (c) Trade and Finance and Economic Controls. Perhaps a three-way split of the field of economic intelligence should not be attempted.

a. If division (a) is considered to encompass too much for one consultant and two assistants it could be separated into Natural Resources (including the manufacture of primary products) and Industry, except products of direct military application. The latter might comprise a third separate division or be included with Military Affairs. Natural Resources would include minerals, fuels, agricultural products, forestry products and fisheries. Industry could be split into basic industries and end product manufactures. Products of direct military application should be covered collectively as Armaments.

b. Transportation and Communications (division b) and the equipment industries supporting them are often combined, but if the T/O permits they could be handled as separate divisions. Transportation should include sea, both civil and naval; railroad, highway and inland waterway; and air, both civil and military. Communications logically divides into post, wire, and radio.

c. Though closely related in many respects Trade and Finance and Economic Controls (division c) probably encompass too large a field of diverse specialties for one Consultant and one or two assistants. Accordingly, it is proposed to have one Consultant cover foreign government finance and economic controls exercised through fiscal policy while a second Consultant would handle foreign trade and general economic controls not strictly financial in character.

4. I believe the foregoing organization of economic intelligence is practicable as subjects are grouped so as to minimize overlapping between divisions, and divisions are set up so as to facilitate both development and utilization of economic intelligence. This "division of labor" or that outlined in my memorandum of 30 August 1946 should provide the high order of economic intelligence required by CIG if the Economic Consultants:

a. Are accepted by people with whom they associate professionally, whether in or out of government, as competent in their respective fields;

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b. Are cognizant in general of all foreign economic activities which engage the attention of the various agencies of the U. S. Government, as well as those participated in by private U. S. citizens having interests abroad;

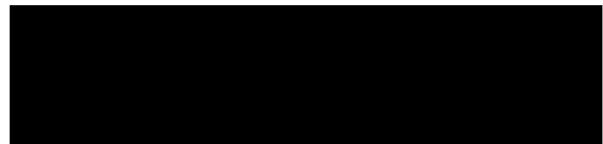
c. Understand, as regards relevance to the national security, the significance of foreign economic activities well enough to estimate the effects of U. S. Government economic policy and action in all aspects of international relations;

d. Have a comprehensive knowledge of economic information and intelligence sources, particularly agencies of the U. S. Government, banks, business firms, the press, educational institutions, research organizations and foreign origins, both official and private;

e. Furnish responsible officers of CIG with competent advice, extend constructive aid to ORE Staffs, work harmoniously with the Regional Branches so as to assist them on studies within regions and in turn secure their cooperation in the preparation of inter-regional estimates and surveys which require correlation and integration of materials from two or more research branches.

f. Are able to develop economic intelligence by coordination and direction of interdepartmental programs (in conjunction with ICAPS), through instructions to U. S. representatives abroad (in conjunction with OC&D), by consultation with experts, policy and operating officials in and out of government, and by close following of trade and technical literature.

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Plans and Requirements Staff

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